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Robert H. Castellano
Director
Federal Government Affairs

Room 1133M1
295 North Maple Avenue
Basking Ridge, NJ 07920
908 221-2330

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 1, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW - Room 222
Washington, DC 20554

RE: Ex Parte Presentation, CC Docket No. 96-128
Payphone Compensation

Dear Mr. Caton:

Today AT&T met with members of the Common Carrier Bureau, namely Tom Beers, Brad Wimmer, Craig Stroup, John Muleta and Jim Lande. AT&T was represented by me, Rich Rubin and David Robinson. We reviewed AT&T's analysis of payphone costs, as described in the materials attached.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. H. Castellano". Below the signature is a circled monogram, possibly "RSN".

attachment

copy to: T. Beers
J. Lande
C. Stroup
B. Wimmer

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ANALYSIS OF PAYPHONE COSTS

Presentation by AT&T

October 1, 1997

AT&T's ANALYSIS FAIRLY ASSIGNS COSTS BETWEEN COIN AND COINLESS CALLS

- AT&T's analysis is not based on marginal costs
- AT&T assumes reasonable costs for actual new (not refurbished) coin phones and payphone enclosures
- AT&T is willing to contribute to all PSP costs in which coinless calls share, including relevant overhead and taxes

AT&T's ANALYSIS FAIRLY ASSIGNS COSTS BETWEEN COIN AND COINLESS CALLS

- AT&T's analysis properly uses total call counts (coin and coinless)
 - All costs incurred in originating coinless calls are also incurred in originating coin calls
- LECs' call counts are misleading
 - LEC counts include calls from *semi-public* phones (BellSouth - 21% of total base (7/96 Reply, p. 4)), which receive substantial economic support directly from location owners

AT&T's ANALYSIS FAIRLY ASSIGNS COSTS BETWEEN COIN AND COINLESS CALLS

- LECs continue to refuse to provide specific cost information for any company
 - LEC total costs/call in 1996 was 25-32 cents
 - Now increased to 34-37 cents, without explanation
- Some IPPs' stated unit costs for payphones are excessive, up to as much as \$5500-\$7700 per placement
- AT&T's cost calculations are based on long experience with many types of payphones

AT&T's ANALYSIS FAIRLY ASSIGNS COSTS BETWEEN COIN AND COINLESS CALLS

- Reasonable depreciation life - 10 years
- Cost of capital
- AT&T's cost figures include overhead
- AT&T's line cost figures are reasonable - over \$35.00/mo. (excluding local call completion)

AT&T COST ESTIMATE - REPLY AFFIDAVIT

CENTS/CALL^②

	COIN ^①	COINLESS	COIN - COINLESS Δ
BASIC LINE	5.5	5.8	(.3)
LOCAL COIN USAGE	5.0 TO 8.0	0	5.0 TO 8.0
COIN COLLECTION	3.0	0	3.0
MAINTENANCE/REPAIR	3.0 TO 4.0	2.3	0.7 TO 1.7
STAFF/OVERHEAD/G+ A/TAXES	5.0	2.5	2.5
DEPRECIATION/INTEREST	2.9	1.6	1.3
	24.4 TO 28.4	12.2	12.2 TO 16.2

① WEIGHTED AVERAGE OF DUMB & SMART COIN PHONES

② 700 CALLS

AT&T's ANALYSIS FAIRLY ASSIGNS COSTS BETWEEN COIN AND COINLESS CALLS

- Sprint's average total costs for all calls are 24.3 cents/call
 - Based on Sprint's actual volumes from 50,000 phones, geographically dispersed
 - Phones largely in rural areas
 - Includes commissions
 - Includes separate 15% line item for "margin"
 - No deduction for completion of local calls

COINLESS CALLS DO NOT USE MOST FEATURES OF COIN SETS

- “Dumb” coin set features include:
 - Hardened set casing
 - Keypad
 - Coin slot
 - Coin chute
 - Coin box
 - Coin deposit signaling
 - Handset
- “Dumb” coin sets also require LEC switch functions for call rating and coin detection, provided through “smart” payphone lines

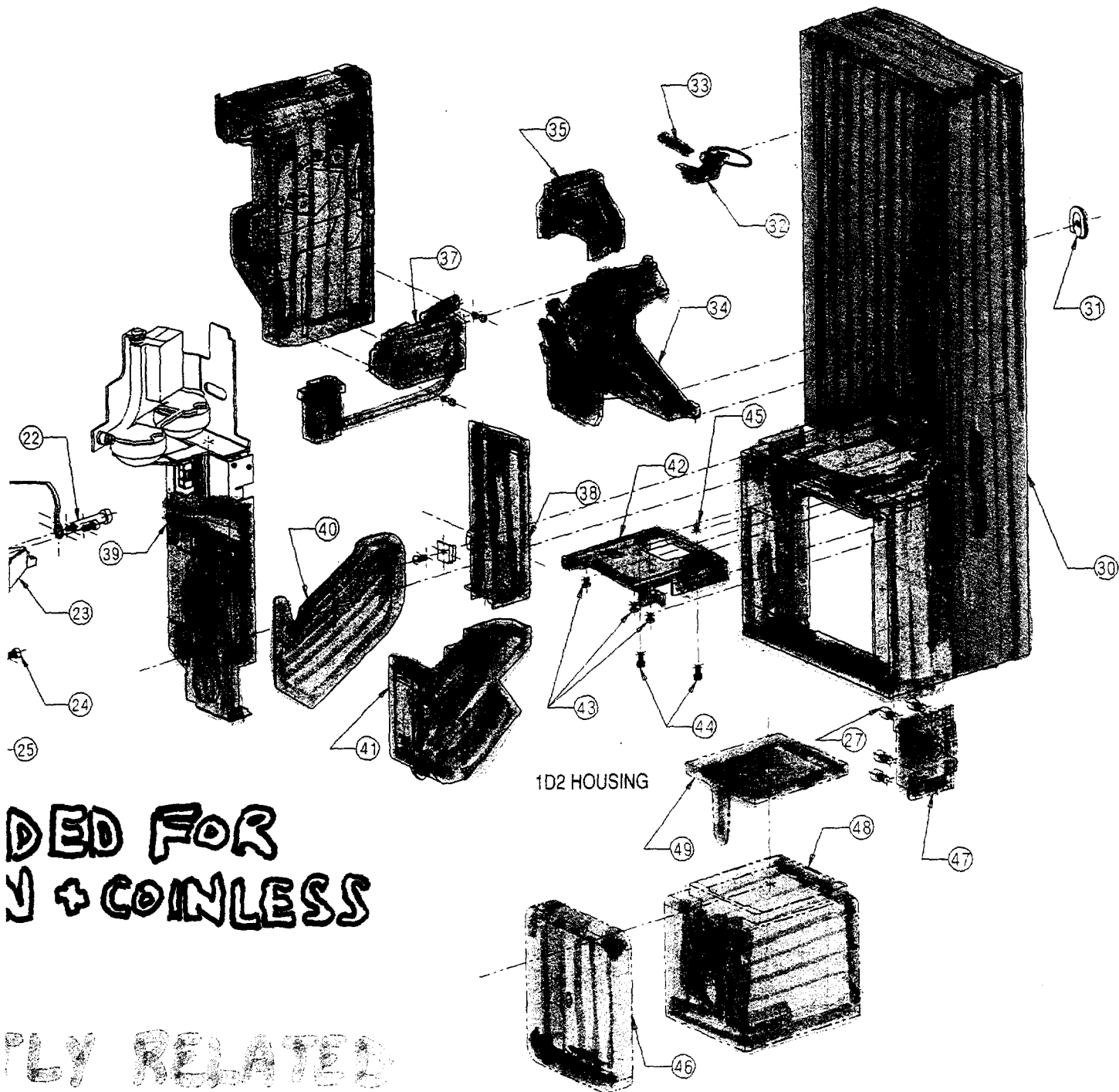
COINLESS CALLS DO NOT USE MOST FEATURES OF COIN SETS

- “Smart” coin set features include:
 - Hardened set casing
 - Keypad
 - Coin slot
 - Coin chute
 - Coin box
 - Handset
 - “Smart” computer chip(s) responsible for, e.g., coin rating, call routing, operator functions
- “Smart” coin sets use standard lines, that do not have special coin-related capabilities

COINLESS CALLS DO NOT USE MOST FEATURES OF COIN SETS

- Coinless calls need:
 - Set casing (not hardened)
 - Keypad
 - Handset
 - Access to basic outgoing line (without coin features)





DED FOR
Y + COINLESS

PLY RELATED
UN!

Telephone Sets

Public Coinless Telephones

Coinless telephones are timesaving and convenient. Our coinless telephone sets provide excellent service in locations that have a high volume of credit card or collect calls, or calls billed to a third party. These sets permit calls to be completed without coins, and at the same time allow more calls on the coin telephone sets.

11-Type Coinless Telephone

The 11-type coinless telephone set is an indoor/outdoor "box-type" set. This set has touch-tone dialing and many of the construction features found in our coin sets (including a polycarbonate handset). This telephone set can be used in any of the Public Telephone Enclosures described on pages 31-36.

Dimensions

21.0" high x 4.0" deep x 7.6" wide.

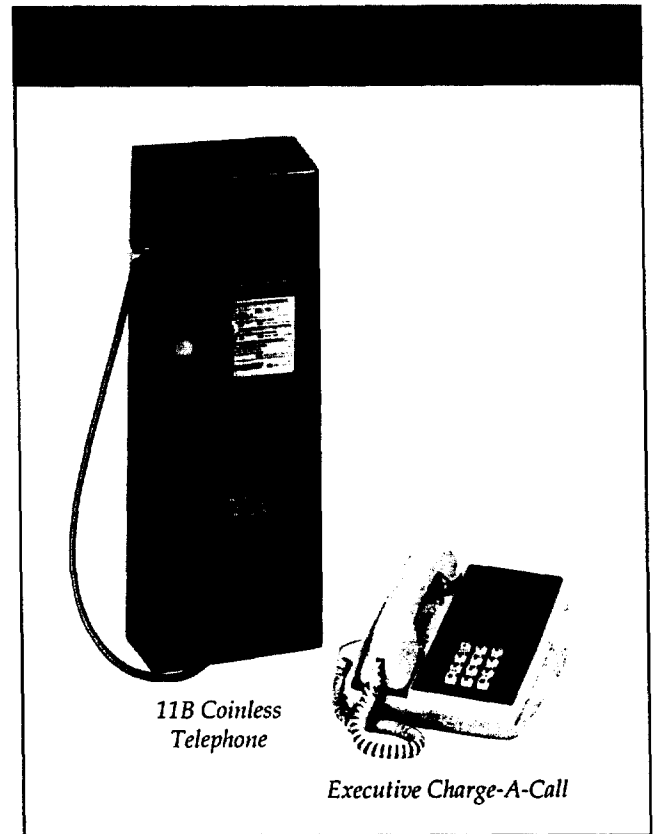
Executive Charge-A-Call

This coinless set is a stylish, touch-tone telephone designed to enhance public places that serve select clientele, such as airline VIP lounges, prestigious hotels, and fine restaurants. The Executive Charge-A-Call is easy to use—just dial, following the easy-to-read instructions right on the phone.

This phone, which may be mounted on a wall or used as a desk set, can be installed quickly and without disrupting normal business operations. And since the Executive Charge-A-Call has an undetachable base cord and no coin box, there is little chance of vandalism.

Dimensions

8.5" long x 7.0" wide x 4.0" high.



Ordering Information

Comcode	Code/Description
105407985	11B Set Telephone Coinless, Blue*
103552386	2960B01-50 Executive Charge-a-Call Set, Ivory†

*Optional colors available upon request.

†Does not include Dialing Information faceplate. To order faceplate, write or call:

William Frick & Co.
730 Forest Edge Drive
Vernon Hills, IL 60061
(708) 634-6341

You will need to provide your local telephone company's dialing instructions to ensure receipt of the correct faceplate.

MAINTENANCE/REPAIR AND COLLECTION FOR COIN CALLS

- The coin-only features of coin sets require costs not associated with coinless calls
 - Maintenance/repair costs related to coin calls are at least twice the costs for coinless calls
 - More (and more expensive) parts
 - Parts can jam and are more likely to break
 - Vandalism is much more common
 - Coin collection and counting
 - Additional staff support

COINLESS CALLS DO NOT REQUIRE COMPLETION TO A TERMINATING PARTY

- Payphone line costs include two different types of functions
 - Dial tone and connection with LEC switch (including SLC and payphone screening charges)
 - Completion of calls from originating switch to terminating end
- Coinless calls always route directly from the LEC switch to the carrier's network using access paid by the carrier

COINLESS CALLS DO NOT REQUIRE COMPLETION TO A TERMINATING PARTY

- Record data shows actual call completion costs range from 5 to 8 cents per call (e.g., APCC, Att. 2; RBOC/Andersen, p. 4)
- Both LECs and IPPs benefit from flat-rated line charges
- LEC efforts to double-recover for call completion costs should be rejected
- In any event, PSPs can allocate such costs to local coin calls and recover them in local coin rates

COMMISSIONS ARE PROPERLY EXCLUDED

- No indication Congress intended to further enrich location owners
- Location owners are already paid for local coin calls and 0+ calls
- Commission rates have gotten out of hand, especially in the inmate marketplace

NO “ADD ON” COSTS ARE APPROPRIATE

- Payphone ANI digit delivery is the PSPs’ contribution to the start-up costs of the compensation process
- ANI delivery costs are not over \$700 million
- Properly amortized Flex ANI costs (after applying appropriate workarounds for non-equal access areas) are only about 1.5 cents, declining to zero

NO “ADD ON” COSTS ARE APPROPRIATE

- PSP “collection cost” claims must be rejected
 - Carriers already have both fixed and ongoing costs to track and pay payphone compensation
 - Peoples (n.17) assumes that carriers’ costs should exceed PSPs’ collection costs
 - PSP experience with the Commission’s vacated per-phone rules is not a reliable indicator of future experience
 - New rules on dispute resolution make collection easier for PSPs